



## ANNUAL REPORT

2005



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Target vehicle IFT-14 stands ready for lift-off from the Kodiak Launch Complex in February. Insulating shrouds cover the rocket protecting it from the elements. Photos of the countdown, lift-off, and flight of the IFT-14 rocket used here are courtesy of Sandia National Laboratories.



# Chairman's Letter

To the Governor, Legislators and Alaskans:

The commitment made to Alaskans fourteen years ago to create a new and vibrant industry based on science and technology continues to be fulfilled. The Alaska Aerospace Development Corporation has established itself as a dynamic and competitive commercial spaceport and as a national leader in the development of space-related technology.

The launch of IFT-14 in February was a bright start to the year and just the beginning of a long series of successful events.

AADC has become a technological leader with the purchase of two new Mobile Telemetry Systems (MTS). These new systems augment the existing Range Safety and Telemetry Systems (RSTS) and provide a level of capability and technology that has set a new industry standard.

The Open House held in August at the Kodiak Launch Complex was a success beyond anyone's imaginings. People from Kodiak, the state and from various parts of the US attended the event and toured each facility learning about the business of launching rockets.

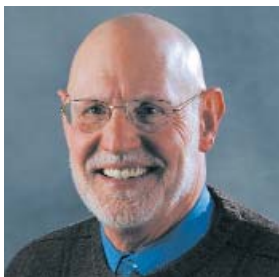
We have shared our success with the communities of Alaska by funding educational grant programs for schools across the state and college scholarships for students from Kodiak. The first of these scholarships were awarded to Tija Ozols, Matthew Van Atta, Falcon Will-Staudenraus, William Costello, Joseph Carvalho, Perlita Alcaide, Lovett Panamarioff, Joseph Rauwolf, Rudolph Lorenson and Oliver Holmstrom. We wish them continued success in their studies and have offered to renew their scholarships for their sophomore year to help ensure that success. In addition, ten new scholarships will be awarded to Kodiak seniors for the 2006/07 school year.

AADC is committed to communities, to the education of youth and the development of a stable, thriving and dynamic industry for the state. With a fully accessible world-class facility, AADC is poised for a strong future in the global spaceport marketplace.

Sincerely,



Mark Hamilton  
Chairman, AADC Board of Directors



# President's Letter

To Governor Murkowski, Legislators and the People of Alaska:

With another successful launch from Kodiak, I am proud to report that AADC has seen a year of even greater success and achievement in the aerospace industry.

The completion of our new Maintenance and Storage Facility provided us with the opportunity to host our first ever Open House event. It was such a success that we are already planning for the next one.

We have increased our marketability with state-of-the-art upgrades to our Range Safety and Telemetry System. These upgrades allow us to provide high quality launch services that meet or exceed safety and data processing requirements.

We continue to upgrade our communications infrastructure and develop greater logistical capabilities, making it easier than ever to do business with AADC. The road paving to the launch complex is nearing completion.

Our growth over the past year is a direct measure of the success we have achieved in fulfilling our mission. We have hired new staff, expanded our facilities and continued to develop the technical and professional expertise of our personnel in order to meet the demands of the industry. I am proud to say that AADC personnel are some of the most resourceful, accomplished and technically proficient people in the aerospace field.

The full implementation of our educational grant and scholarship programs has been our best investment in the future. We have provided significant support to students from kindergarten through college to study the sciences and space-related technology. This investment will benefit Alaska for many generations to come.

AADC has matured into a seasoned space-launch services provider. We know the business. We know the many strengths we have to offer and we are confident in our continued success as we move forward.

Sincerely,



Pat Ladner  
President & CEO







OPEN HOUSE  
August 20, 2005



Colorful badges and passport guidebooks await visitors at the August 20th Open House event at the Kodiak Launch Complex.

# AADC Highlights 2005 >>



## Target Vehicle Launched

US Missile Defense Agency target vehicle IFT-14 was successfully launched on February 13, 2005.



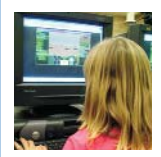
## Range Safety and Telemetry System

The Range Safety and Telemetry System has completed the next step in its operational evaluation and is being augmented by two new Mobile Telemetry System (MTS) vans purchased from Honeywell, Inc. Each new MTS provides additional telemetry receiving and processing capabilities and is fully integrated with the RSTS. This system is unique in the industry.



## Maintenance and Storage Facility

The completed Maintenance and Storage Facility now provides storage space, large maintenance bays, and machine shop resources for customers in one centralized location.



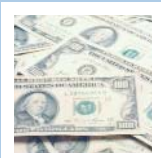
## Education Support

Alaska Aerospace Development Corporation (AADC) funded \$150,000 in scholarships for Kodiak students, co-sponsored educational grant programs in schools across the state, and continued to support the Challenger Learning Center of Alaska as well as programs for science teachers in the Anchorage School District.



## Open House

Continuous community relations efforts for the year culminated in AADC's first ever Open House at the Kodiak Launch Complex (KLC) in August. Over 950 visitors from across the state and various points around the US attended the event and took self-directed tours of the entire complex with family and friends.



## Economic Impact

An independent research firm found that AADC direct and indirect spending had a \$20 million impact on the Kodiak economy in 2004, reducing the local unemployment rate by 2%.





OPEN HOUSE  
August 20, 2005

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Brenden Freeman of Kodiak listens to an AADC tour guide explain how to use the souvenir Open House passport to collect "traveler's visa" stamps at each location on the tour.





# Year in Review

## Meeting Our Mission On All Fronts

*In 2005, Alaska Aerospace Development Corporation achieved new heights in fulfilling every aspect of its mission. AADC excelled in delivering launch services, developing space related business, strengthening technological infrastructure, fostering economic growth, and providing educational opportunities in the state.*



Photo courtesy of Sandia National Laboratories.

Target vehicle IFT-14 prepped and ready for launch from Launch Pad 2.

### Missile Defense Agency (MDA) Target Vehicle Launch

The flexibility and strength of the people and resources of AADC were clearly demonstrated on February 13, 2005 with the launch of the MDA target vehicle IFT-14. A previous launch in December of 2004 provided little turnaround time to prepare for the IFT-14 campaign. AADC demonstrated the advantages of being a well-organized and cohesive team in preparing for and completing another successful launch in such a short period of time.



The sun rises over the antenna array of the Range Safety and Telemetry System mobile operations center at King Salmon.

### Range Safety Systems

The Range Safety and Telemetry System (RSTS) is now fully operational and has satisfactorily completed intermediate operational evaluations. Upon final certification, it will be the primary system for monitoring a rocket, allowing it to safely continue its trajectory, and for receiving and processing data during flight. The system incorporates two mobile operations centers (MOC) with associated tracking antennas. One system remains at the Kodiak Launch Complex allowing mission control to monitor the rocket at launch and through flight. The second system is located at an off-axis site (Cordova or King Salmon) for continuous tracking and range safety control.



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A day of family fun included tours of the Payload Processing Facility, a state-of-the-art "clean room" that allows for the dust-free processing of rocket payloads, such as satellites, in preparation for their integration into a rocket vehicle.



OPEN HOUSE  
August 20, 2005





The new Mobile Telemetry System vans being built by Honeywell, Inc. are 40 feet long and environmentally controlled.

### Expanded Telemetry Capability

In a continued program of implementing advanced range safety and telemetry technology, two new Mobile Telemetry System (MTS) vans have been purchased from Honeywell, Inc. to augment the existing RSTS. These systems supplement the RSTS with added telemetry reception and data processing capabilities. This state-of-the-art integrated range safety and telemetry system is unique in the aerospace industry.

### Open House

On August 20th, AADC hosted a community-wide Open House at the Kodiak Launch Complex. Over 950 visitors from Kodiak, throughout the state, and from out of state as well, participated in self-directed tours of the launch complex. Visitors explored each facility and learned about every aspect of launch operations from staff. Kids and adults alike enjoyed the day of family-centered activities. The overwhelming success of the event has AADC already planning for the next one.



Local business people who provide services to AADC were invited to the Kodiak Launch Complex in May for a tour.

### Update 2005

AADC hosted Kodiak business partners at the launch complex in May for a personalized tour of the facility. The event titled "Update 2005" was an opportunity to express how strongly AADC values its working relationships with local Kodiak businesses and community leaders. Participants got a first-hand look at range operations and developed an understanding of how important local businesses are to mission success.

### Economic Impact Study

The influence of AADC investment in the Kodiak community and the activities related to providing launch services at the Kodiak Launch Complex generated a \$20 million impact on the Kodiak economy in 2004, according to the independent research firm Information Insights. The Kodiak Launch Complex created 45 direct and 80 indirect jobs in the community and AADC jobs are high-wage positions with monthly earnings more than double the Kodiak average. As a result of AADC employment, the Kodiak unemployment rate was reduced by 2%.





OPEN HOUSE  
August 20, 2005



Visitors from around the state and various points in the lower 48 got a first-hand look at the 174 foot tall Launch Service Structure and the rocket launch stool on Launch Pad 1. Steel plates cover the entrance to the 25 foot flame trench directly under the launch stool.





Students from Pacific Northern Academy in Anchorage watch a hobby rocket launch at Launch Pad 2 at the KLC. Schools from around the state visit the Kodiak Launch Complex on a regular basis as a part of AADC's school tour program.



A fourth grade student at Kalifornsky Beach Elementary School in Soldotna drives the Mars Rover over simulated terrain as a part of the Space Explorer's Portal program.

## Support of Education

AADC is a leader in the support and sponsorship of educational scholarships and grant programs for young people.

For students from kindergarten through 12th grade, AADC co-sponsors the Space Explorers Portal Program in over 50 schools throughout the state. This innovative and internationally recognized program provides the curriculum materials and on-line support needed to guide students and teachers on simulated research missions to Mars, to explore the Solar System, and to conduct hands-on experiments in the classroom concurrent with the same experiments being performed in real-time onboard the International Space Station.

AADC supports on-going educational programs in the sciences and space exploration such as the Challenger Learning Center in Kenai and curriculum development for science teachers in the Anchorage School District.

College internships are an important part of AADC's mission. Every summer, AADC offers two to three internships to college students interested in gaining valuable work experience in the fields of engineering, aeronautics, contract management, and a variety of launch related services. These internships are hands-on opportunities doing work that matters. Past interns have come from Notre Dame, Penn State, Columbia, and Cedarville University.



OPEN HOUSE  
August 20, 2005



Nathan Dennis and Keith Paulson assist Senior Atmospheric Scientist Greg Wilke from Science Applications International Corporation (SAIC) in the release of a weather balloon at the Kodiak Launch Complex during the Open House in August.







Pictured with Betty Walters, Superintendent of the Kodiak Island Borough School District, and Randy Eisenhauer, KLC Facilities Manager, five of the ten recipients of AADC scholarships were, from left to right, Joseph Rauwolf, Oliver Holmstrom, Tija Ozols, Matthew Van Atta, and Rudolph Lorenson.



All scholarship recipients, including William Costello and Perilita Alcaide, pictured here, were presented with commemorative AADC medallions by Randy Eisenhauer, KLC Facilities Manager. Not pictured: Lovett Panamarioff, Falcon Will-Staudenraus, and Joseph Carvalho.

### First College Scholarships Awarded

In 2005, AADC donated \$150,000 to the University of Alaska Foundation to fund thirty scholarships of \$5000 each for students from the Kodiak Island Borough School District (KIBSD). Ten scholarships were awarded to graduating seniors for college study in the 2005/06 school year and those

students are eligible to apply for a new scholarship for next fall. In addition, ten new scholarships will be awarded to KIBSD 2006 graduating seniors. The scholarships can be used at any University of Alaska campus for students majoring in mathematics, physics, engineering, business, or a technical field of study such as computer science.

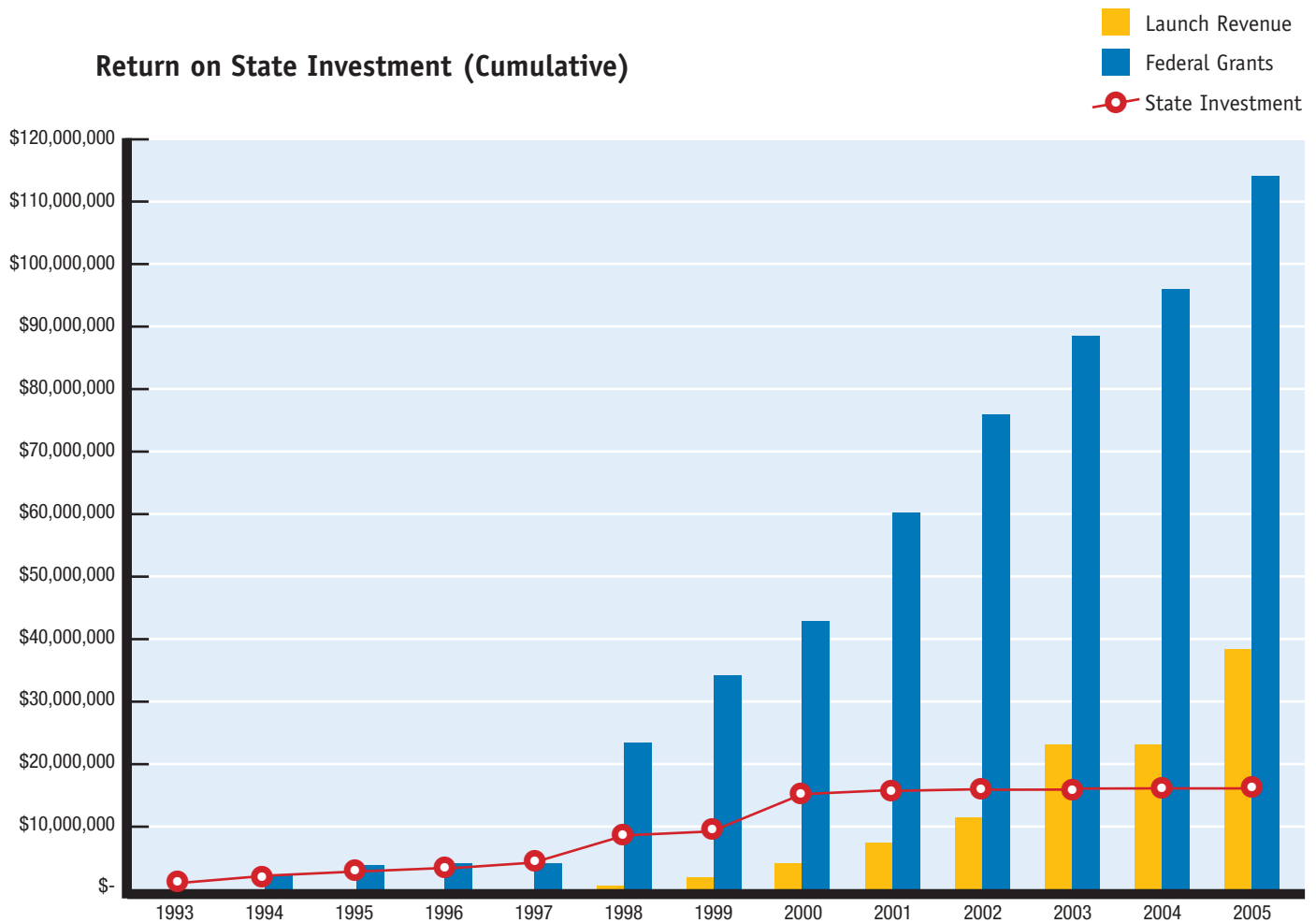
## Growth

*With the completion of the RSTS system and the upcoming addition of the MTS, AADC saw increased growth in the technological support available to launch customers. The completion of the 19,000 square foot Maintenance and Storage Facility now offers customers equipment and motor storage options as well as in-door large equipment maintenance bays to meet any need.*

*The road to the Kodiak Launch Complex is paved with only 9.7 miles left to be completed. This improves access to the KLC and provides greater logistical support to AADC's already broad range of logistical coordination services.*

*AADC has demonstrated its vision in providing launch services, developing cutting-edge technology and resources, supporting communities, and educating young people. AADC is firmly focused on fulfilling its mission and has done so with great success.*

# Financials





**Table 1: Statement of Net Assets**

	Current Year	Prior Year	Change	% Change
<b>Assets</b>				
Capital assets	\$66,970,104	\$57,774,000	\$9,196,104	16%
Current and other assets	36,450,320	36,072,975	377,345	1%
<b>Total Assets</b>	<b>103,420,424</b>	<b>93,846,975</b>	<b>9,573,449</b>	<b>10%</b>
<b>Liabilities</b>				
Long-term liabilities	27,415,473	27,061,797	353,676	1%
Other liabilities	4,912,185	6,724,975	(1,812,790)	(27%)
<b>Total Liabilities</b>	<b>32,327,658</b>	<b>33,786,772</b>	<b>(1,459,114)</b>	<b>(4%)</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	66,970,104	57,774,000	9,196,104	16%
Unrestricted	4,122,662	2,286,203	1,836,459	80%
<b>Total Net Assets</b>	<b>\$71,092,766</b>	<b>\$60,060,203</b>	<b>\$11,032,563</b>	<b>18%</b>

The total net assets increase of 18% is due to \$12.5 million capitalized to Kodiak Launch Complex (KLC) against a net loss of (\$1.5 million). The distribution of the depreciation expense of \$3.4 million applied against operating revenue resulted in a net loss. The corporation received \$13.9 million from federal grants. The majority of the net asset increase was attributable to the construction of the Mobile Telemetry System (MTS) vans, Maintenance and Storage Facility (MSF), and additional equipment. The construction of the MSF will be completed in the coming fiscal year.

**Business-type Activities**

The increase in revenue is supported by a contract with the Missile Defense Agency for operations support and launch activity. The current year expenditures increased based on customer requirements to support launch activity. Depreciation on the Kodiak Launch Complex continues to be a significant operating expense. The analysis below highlights the changes in net assets of Alaska Aerospace Development Corporation's business-type activities.

**Table 2: Changes in Net Assets**

	Current Year	Prior Year	Change	% Change
<b>Operating Revenue</b>	\$16,914,593	\$10,229,566	\$6,685,027	65%
<b>Operating Expenses</b>				
Personal services	2,385,675	1,568,628	817,047	52%
Travel	1,046,714	644,936	401,778	62%
Contractual services	11,642,643	8,136,968	3,505,675	43%
Supplies	674,054	1,931,480	(1,257,426)	(65%)
Equipment	715,506		715,506	100%
Depreciation	3,423,327	2,298,109	1,125,218	49%
<b>Total Operating Expenses</b>	19,887,919	14,580,121	5,307,798	36%
<b>Net Operating Loss</b>	(2,973,326)	(4,350,555)	1,377,229	32%
Interest income	52,287	11,579	40,708	352%
Federal grants	1,406,902	3,672,594	(2,265,692)	(62%)
<b>Loss Before Contribution</b>	(\$1,514,137)	(\$666,382)	(\$847,755)	(127%)



Operating revenue and expenses increased during the current year. The factors driving these results include:

- Revenue increased as a result of the two successful launch campaigns completed during the fiscal year. Launch revenue is expected to increase marginally in 2006.
- Facilities construction and launch contract activity increased operations at the KLC. This contributed to the increase in expenses. Management expects expenses for 2006 to increase in proportion to launch revenues, similar to 2005.
- The depreciation expense increased by \$1.1 million from 2004 as a result of KLC capital additions, completion of the Range Safety and Telemetry System, and the depreciation of infrastructure. Management expects depreciation expenses to increase in the future with the completion of the Maintenance and Storage Facility in fiscal year 2006 and additional capital projects.
- AADC did not receive any general funds from the State of Alaska during fiscal year 2005 or any other year since inception. Management does not anticipate receiving any future general funds as AADC is self-sufficient.
- AADC's 2006 budget forecasts three launches generating \$24 million in operating revenue.

#### **AADC's Budgetary Highlights**

The State of Alaska approves AADC's budget annually. Accordingly, neither the Board of Directors nor management has the authority to modify the budget. However, the budget has historically included provisions granting AADC "receive and expend authority." This allows AADC to receive funding from launch customers and expend funds as necessary to meet contract obligations and business opportunities.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2005, AADC had \$67 million invested in various capital assets both in Kodiak and in Anchorage (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$9 million, or 16%, over the prior year.

**Table 3: Capital Assets at Year-End (Net of Depreciation)**

Kodiak Launch Complex	Current Year	Prior Year	Change	% Change
Infrastructure	\$6,445,294	\$6,454,465	(\$9,171)	(.1%)
Buildings and structures	27,465,610	29,175,283	(1,709,673)	(6%)
Vehicles and equipment	18,540,979	1,099,469	17,441,510	1586%
Office equipment	322,158	180,734	141,424	(78%)
Construction in progress	14,196,063	20,864,049	(6,667,986)	(32%)
<b>Total Operating Expenses</b>	<b>\$66,970,104</b>	<b>\$57,774,000</b>	<b>\$9,196,104</b>	<b>16%</b>

This year's additions included the on-going construction of the Mobile Telemetry System vans and Maintenance and Storage Facility, and the design of a launch pad and a rocket motor storage facility. The overall change in capital assets includes the addition of \$12.6 million, net of the depreciation expense of \$3.4 million.

### Debt Administration

AADC has no long-term liabilities that require debt administration. AADC has the authority to issue bonds but has not issued any to date.

AADC participates in the State of Alaska Risk Management Pool, the cost of which is considerably less than commercial insurance. AADC obligations include: accounts payable, inter-governmental liabilities, deferred revenue, accrued leave and compensated absences, and long-term deferred revenue.



### **Economic Factors and Next Year's Budgets and Rates**

AADC's Board considered many factors when setting the fiscal year 2006 budget, such as completion of the construction in progress, launch fees that will be charged for the business-type activities, and depreciation of the KLC facilities. The amount budgeted for operating revenue is \$24 million from three expected launches. Management also intends to utilize grants for further KLC infrastructure development.

In 2004, AADC commissioned an independent study of the impact AADC spending had on the Kodiak economy. That study was issued to the Legislature in spring 2005. Copies are available on the Corporation's website at [www.akaerospace.com](http://www.akaerospace.com).

### **Contacting AADC's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of AADC's finances and to show AADC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Alaska Aerospace Development Corporation, 4300 B Street, Suite 101, Anchorage, Alaska, 99503, (907) 561-3338.



OPEN HOUSE  
August 20, 2005



Visitors to the Kodiak Launch Complex Open House toured the Launch Service Structure (LSS) and Launch Pad 1 after the LSS doors opened and rotated away from the launch pad area.





## AADC Board of Directors

Mark Hamilton (Chair)

*President, University of Alaska Statewide System*

Henry D. Penney (Vice-Chair)

*General Manager/Associate Broker, Penco Properties*

Roger Smith

*Director, Geophysical Institute, University of Alaska, Fairbanks*

Wallace C. Sawyer

*NASA (retired)*

Sharon E. Anderson

*Principal, Anderson Business Consulting*

Bill Noll

*Commissioner*

*Department of Commerce, Community & Economic Development*

Mark Edwards (designee)

*Department of Commerce, Community & Economic Development*

Jake Lestenkof

*Major General (retired), United States Army*

Dave Woodruff

*Vice President, Alaska Fresh Seafoods*

Jack C. Eidson

*Lockheed Martin Space Operations Company*

### Ex Officio

Senator Gary Wilken (non-voting)

*Alaska State Senate*

Representative Gabrielle LeDoux (non-voting)

*Alaska State House of Representatives*





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